

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date: JAN 15 1991

E.I.N.: [REDACTED]
K.D.O.: Atlanta

NO PROTEST RECEIVED
Release copies to District

Date 2-27-91

Surname [REDACTED]

. Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code. Based on the information submitted, we have concluded that you do not qualify for exemption under that section.

You were incorporated under the laws of [REDACTED] on [REDACTED]. Your purposes as stated in your articles of incorporation are as follows: "The Corporation shall be a nonprofit organization formed and operated for the purposes of (i) providing a statewide source network for national, regional and local advertisers to place advertisements in [REDACTED] general circulation daily newspapers, (ii) in furtherance thereof to solicit for its members advertisers to place advertising materials in the newspapers published by the members of the corporation; and (iii) to generally promote competitiveness of newspapers with other advertising media."

Your membership consists of those who are publishers of a general circulation daily newspaper in the State of [REDACTED] which is published at least five times during a week and whose circulation is audited by the Audit Bureau of Circulation and such other members as the members may designate from time to time.

Your initial membership dues for each member shall be equal to the national rate for a full page advertisement in that member's newspaper.

You have stated that you are a selling organization for daily newspapers in the State of [REDACTED], and that you make it easier for advertisers to buy advertising in member newspapers by offering one order and one bill, which allows your members to be more competitive with other media such as television, radio and direct mail. You plan to hire a professional advertising solicitor to accomplish these purposes.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. The activities of the organization must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Rev. Rul. 56-84, 1956-1 C.B. 201, held that an organization operated primarily for the purpose of promoting, selling and handling the national advertising in its members' publications, is engaged in the performance of particular services for individual members as distinguished from activities for the improvement of the business conditions of its members as a whole and, therefore, is not entitled to exemption from federal income tax as a business league.

By serving as a middleman/broker and bringing buyers of advertising together with your members who are sellers of advertising, you are providing your members with a convenience and economy in the operation of your members' individual businesses. Like the organization discussed in Rev. Rul. 56-84, supra, you are performing particular services for your individual members as distinguished from activities for the improvement of the business conditions of your membership as a whole. This result is the same whether you conduct your activities directly or through an agent under contract.

Because your primary activity results in the performance of particular services for your members which is proscribed by section 1.501(c)(6)-1 of the regulations, you are not an organization described in section 501(c)(6) of the Code and, we therefore, cannot recognize you exempt under that section.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted in

[REDACTED]

duplicate within 30 days of the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your principal officers, that person will need to file a power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to the District Director, Atlanta, GA. Thereafter, any questions about your federal income tax status or the filing of returns should be addressed to that office.

If you decide to protest this proposed ruling, you will expedite our receipt of your communication by placing the following symbols on the envelope as part of our address: E:EO:R:1-3 JC Room 6236. These symbols do not refer to your case but rather to its location.

Sincerely yours,

(signed) [REDACTED]
[REDACTED]

Chief Exempt Organizations
Rulings Branch 1

cc: DD, Chicago
Attn: EO Group

cc: [REDACTED]